

Where Does The Money Come From?

Where Does the Money Go?



**An Overview of the State's
Revenues and Expenditures**



**Susan Shimelman
Office of Fiscal Analysis
February 7, 2006**

Office of Fiscal Analysis

Connecticut General Assembly



- ❖ We are a Non-partisan Professional Staff Office
- ❖ We Serve the Appropriations & Finance Committees, Legislative Leadership, Substantive Committees, Rank and File Legislators
- ❖ We Conduct Research on Programs, Budget Recommendations, and New Initiatives
- ❖ We Provide Legislative Oversight of State's Annual \$15 Billion Budget

OFA Staff Role



- Analyze Current Services Estimates, Track & Forecast Expenditure & Revenue Levels
- Develop Forecasting Models
- Develop Out-Year Expenditure & Revenue Projections
- Estimate Costs and Program Impact for All Legislative Budgetary Changes
- Record Legislative Intent
- Assist in Developing Alternative Proposals
- Analyze Fiscal Impact of All Bills & Amendments
- Prepare & Publish Budget Book Based on Final Action
- Present an Annual Fiscal Accountability Report to the Appropriations and Finance Committees

STATE BUDGET- FY06



GENERAL FUND
\$14.132 BILLION



TRANSPORTATION FUND
\$983 MILLION



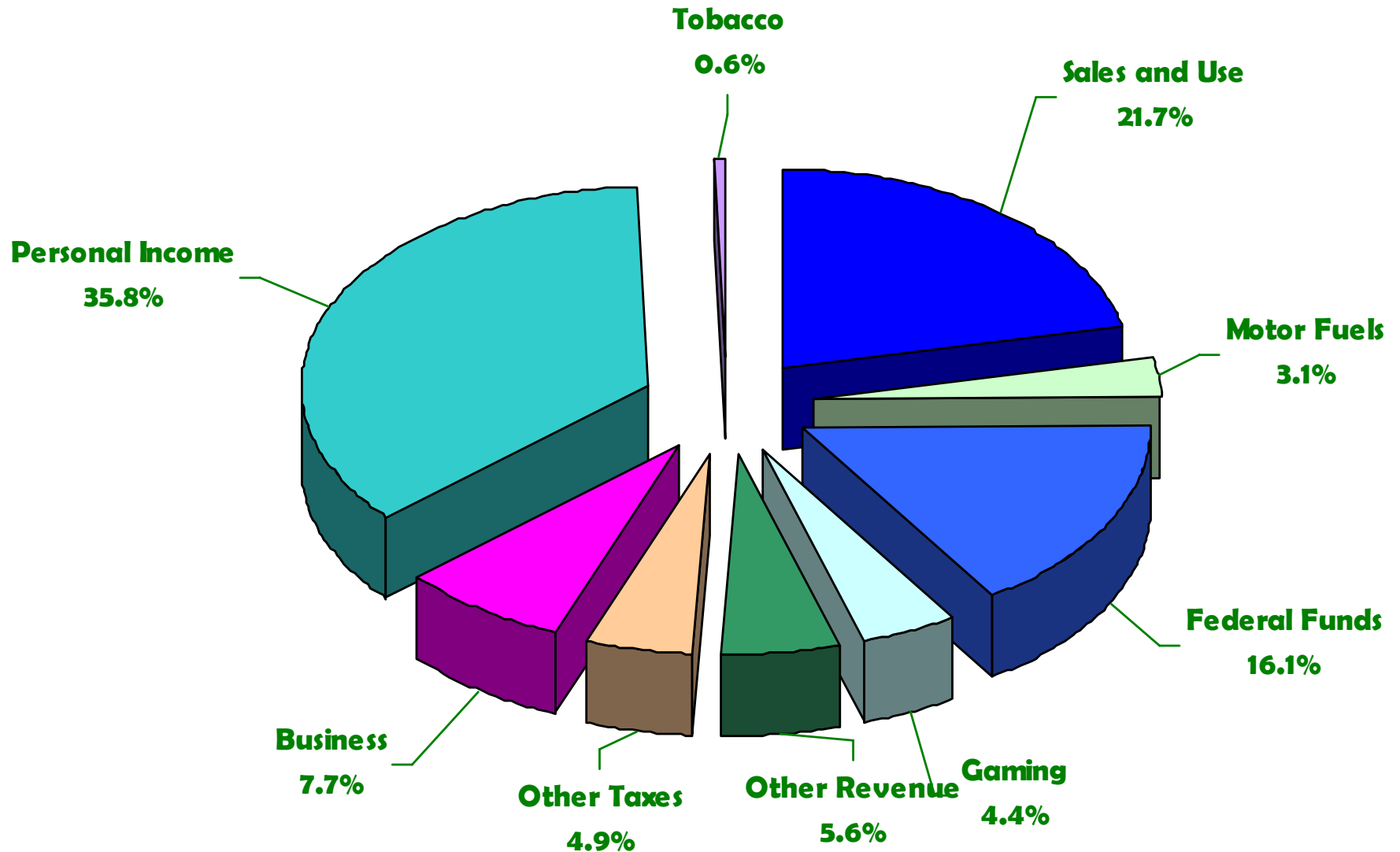
MASHANTUCKET PEQUOT AND MOHEGAN FUND
\$86 MILLION



ALL OTHER FUNDS
\$82 MILLION

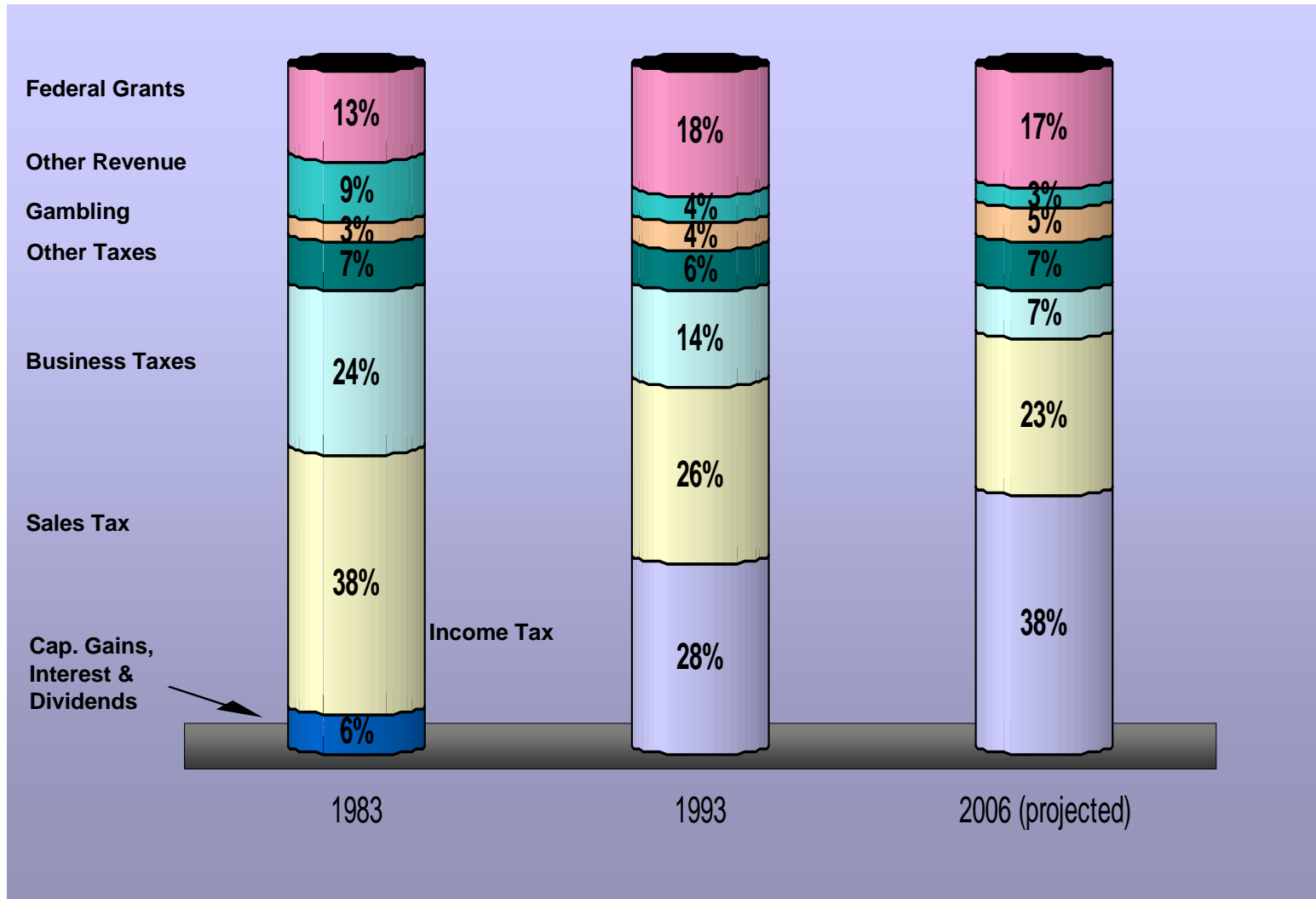
Source: Office of Fiscal Analysis

REVENUE
(All Appropriated Funds)
FY 06 \$15,289.8 Million



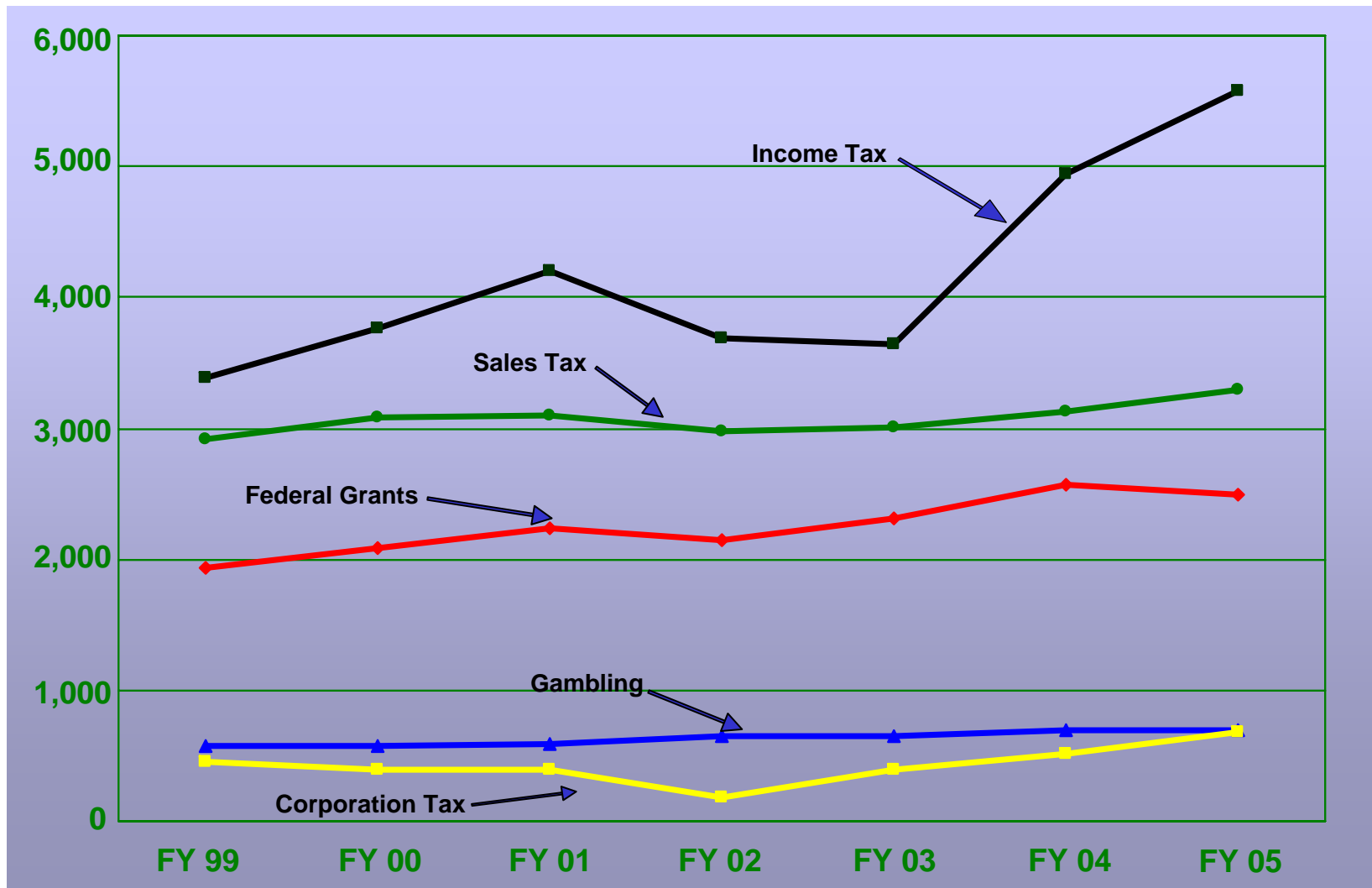
Source: Office of Fiscal Analysis

General Fund Revenue History



Source: Comptroller's Annual Report and Office of Fiscal Analysis

Revenue Since 1999



Source: Comptroller's Report Various Years

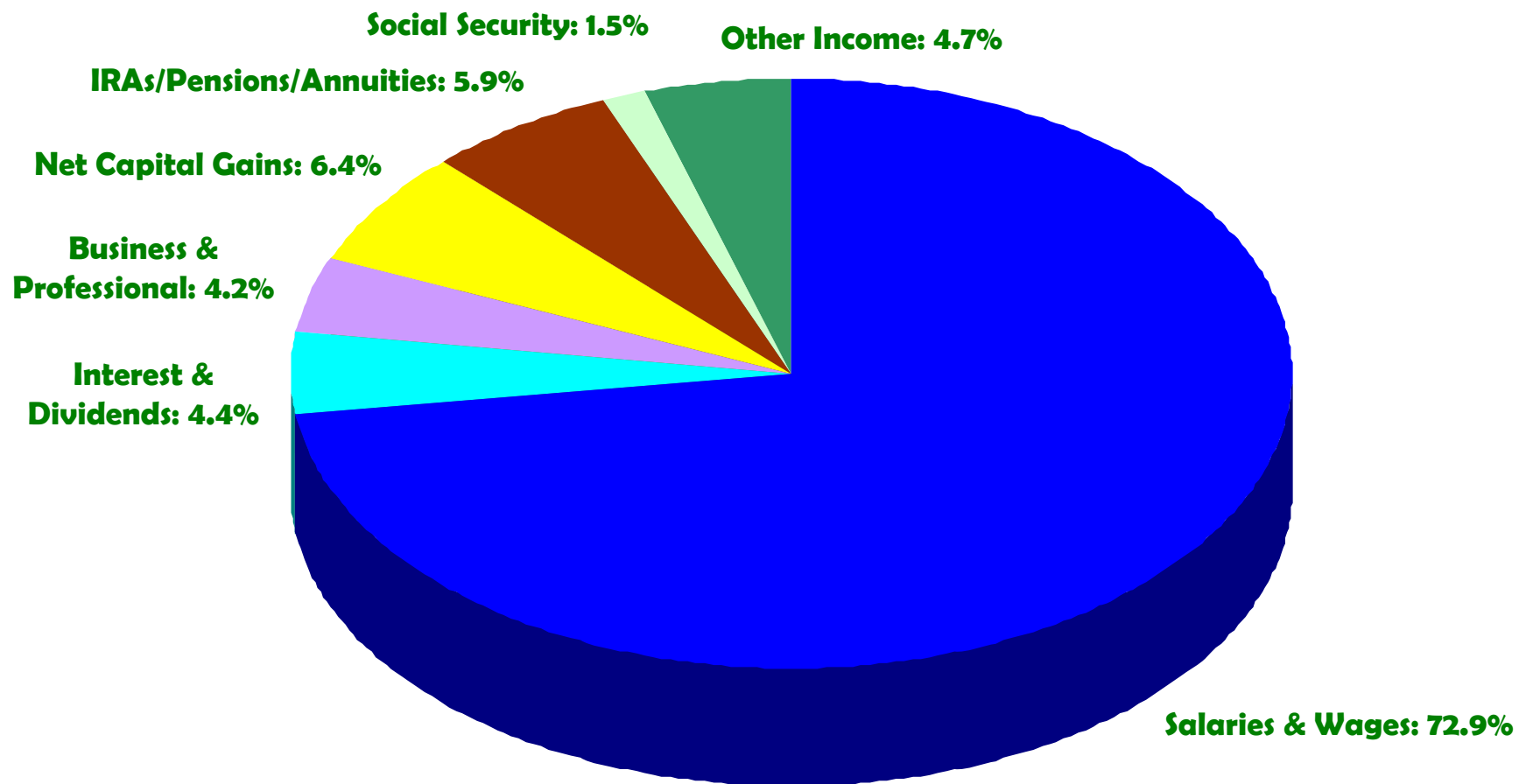
Income Tax Revenues

Total FY 05 Collections

\$6.2 Billion (EST.)

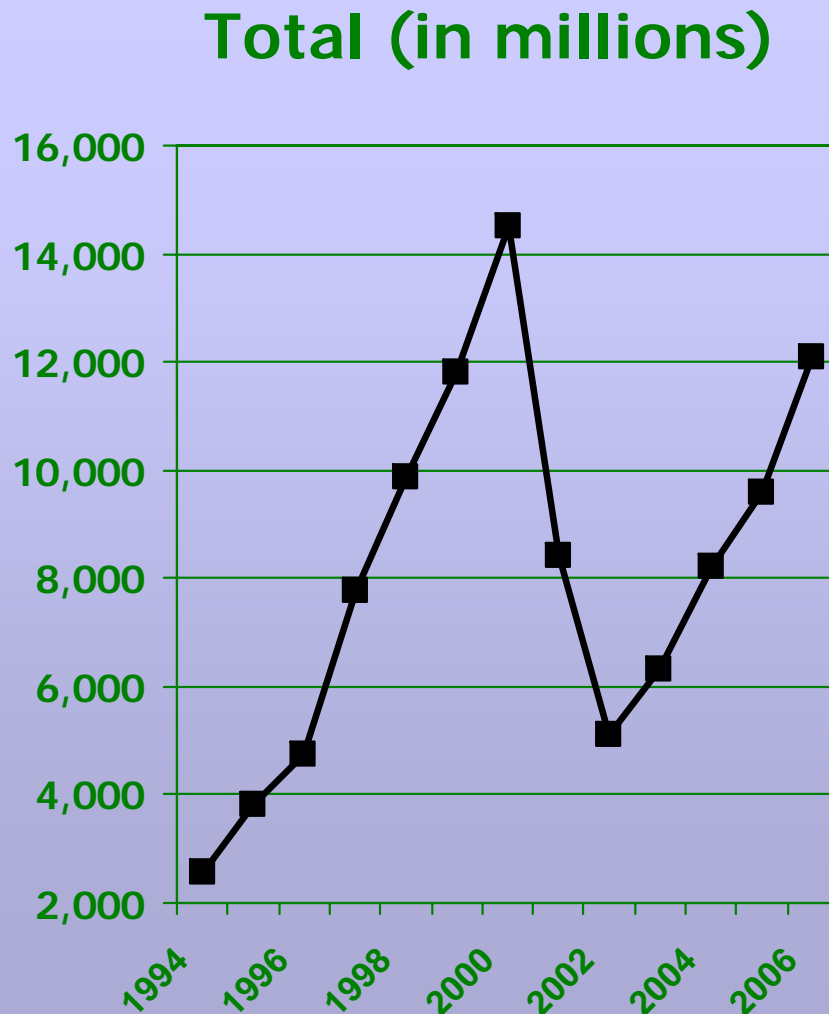
Source: Office of Fiscal Analysis

2003 Personal Income



Source: Internal Revenue Services – Statistics of Income

CT. Capital Gains



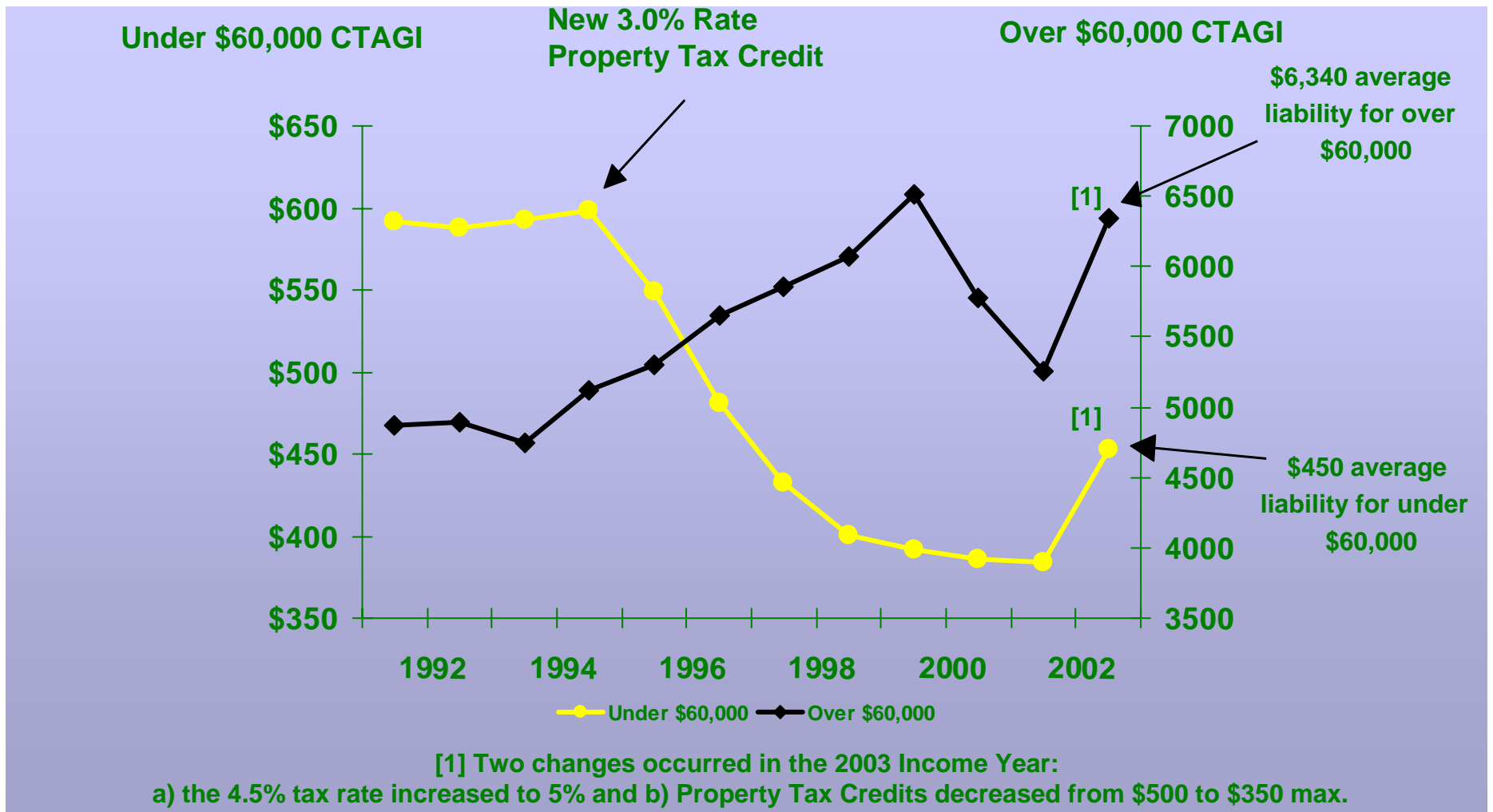
Annual % Change

1995	50%
1996	23%
1997	65%
1998	27%
1999	21%
2000	23%
2001	-42%
2002	-39%
2003 Est.	23%
2004 Est.	30%
2005 Est.	16%
2006 Est.	27%

Source: Department of Internal Revenue Services and Economy.com

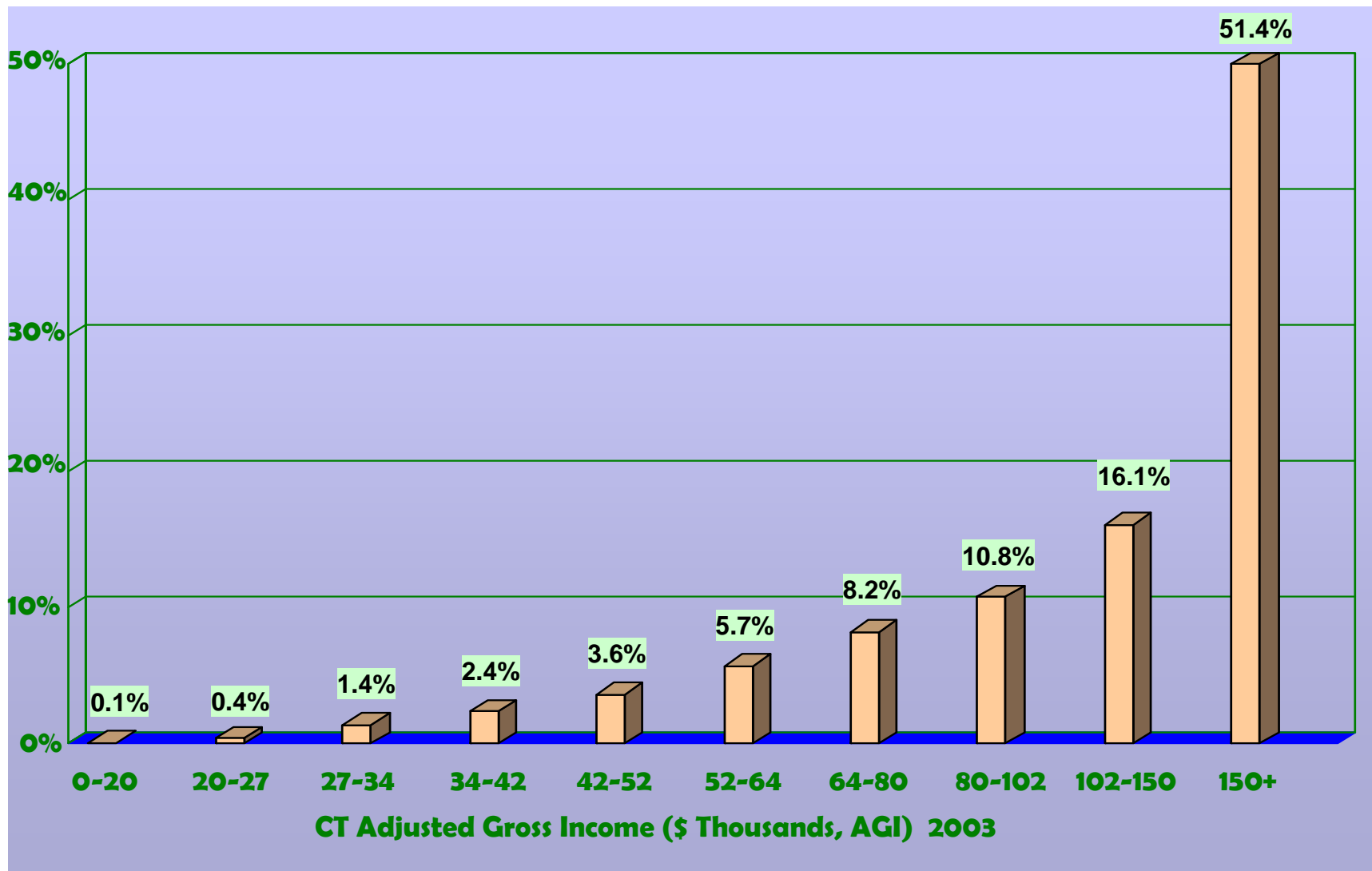
Income Tax Liability Per Return

1992-2003



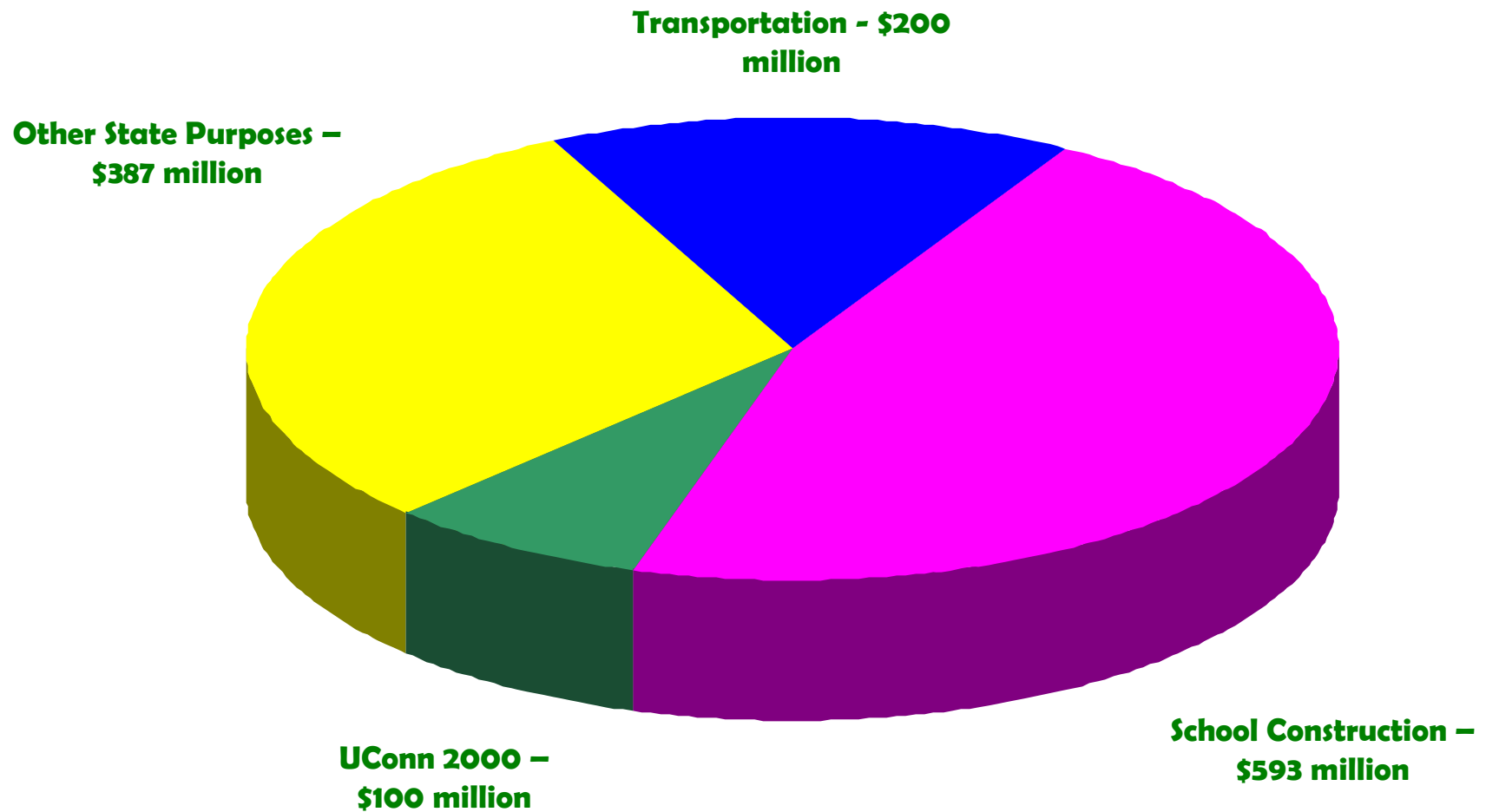
Source: Department of Revenue Services

Income Tax Revenues By Income Group



Source: Department of Revenue Services

Bond Issuances \$1.28 Billion FY 05



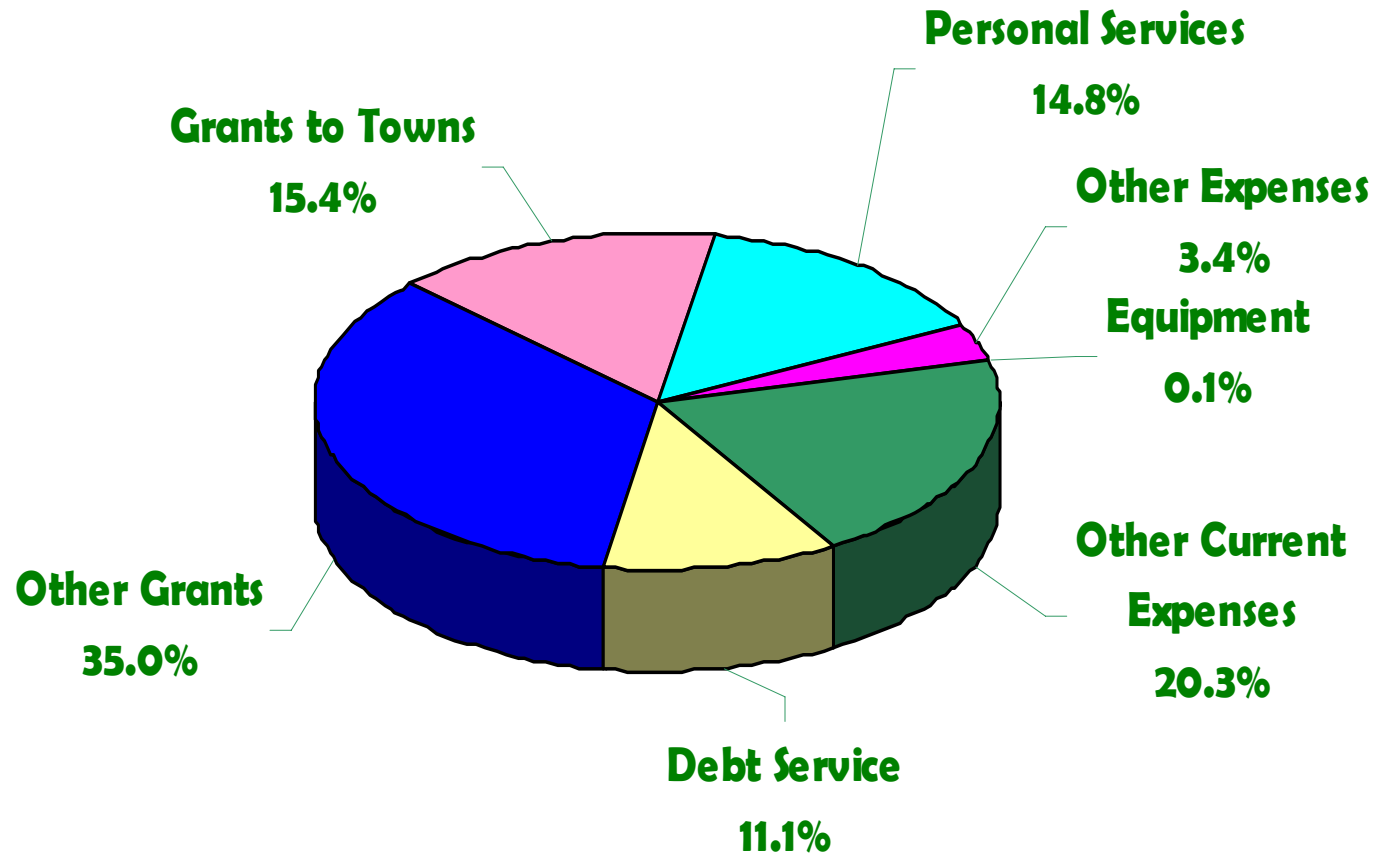
Source: State Treasurer

HOW THE STATE SPENDS ITS MONEY

All Appropriated Funds

By Character of Expenditure

FY 06 \$15,283.1 Million

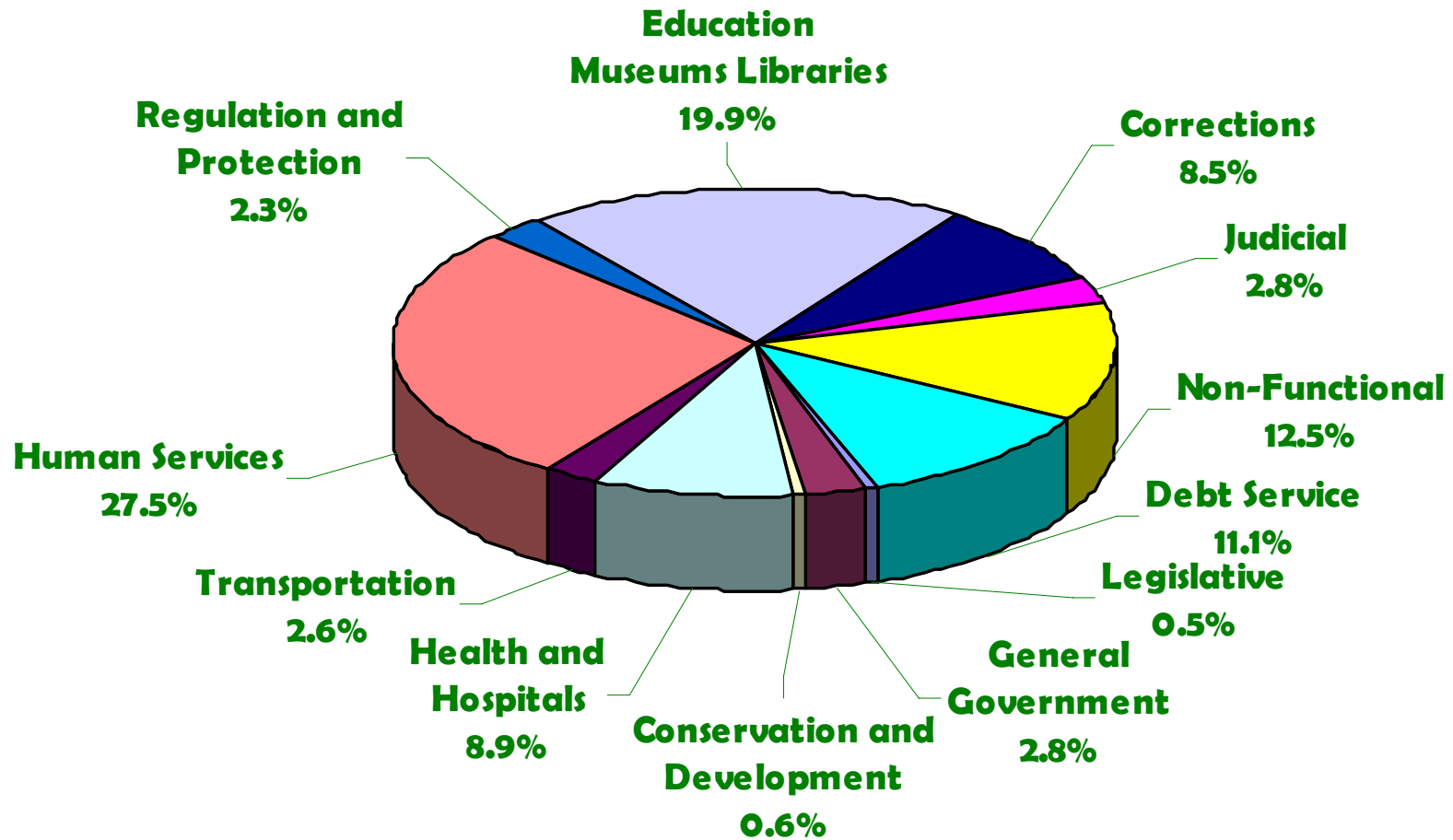


Source: Office of Fiscal Analysis

All Appropriated Funds

By Function of Government

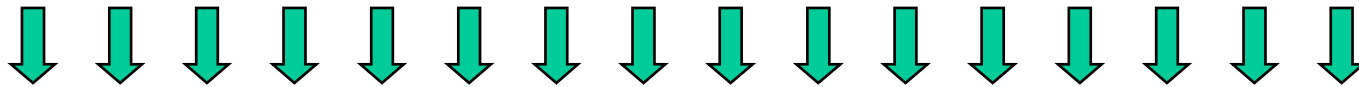
FY 06 \$15,283.1 Million



Source: Office of Fiscal Analysis

Overview of the Budget

Spending Cap

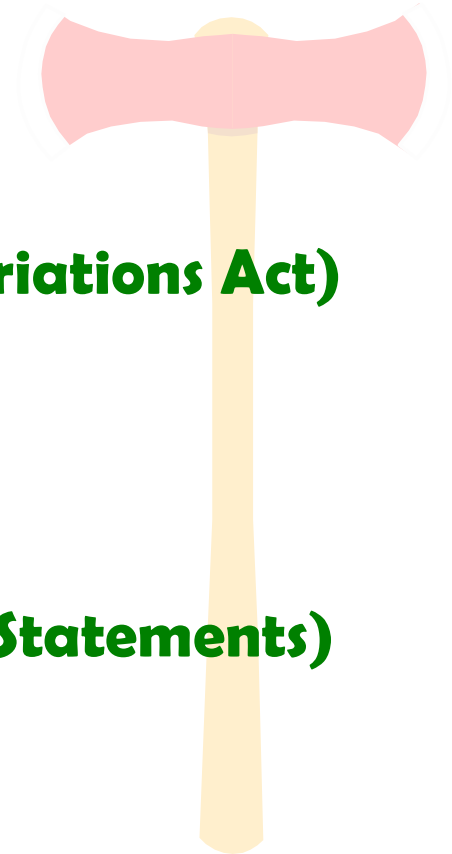


Appropriated Funds
Estimated Revenues

**Growth=Base Year x
5 Year Average Income Growth
(or) Prior Years Inflation Rate:
Which Ever is Greater**

The Budget Process: Two Parts

- **Budget Formulation**
 - State Agency Requests
 - Governor & OPM
 - Legislature & OFA
 - Final Budget Action (Appropriations Act)
- **Budget Execution**
 - Appropriation
 - Quarterly Allotments
 - Oversight (Monthly Financial Statements)
- **Second Year of the Biennium**
 - Budget in Place
 - Expenditure/Revenue Estimates
 - Budget Revision



Overview of the Biennial Budget



● First Year of the Biennium

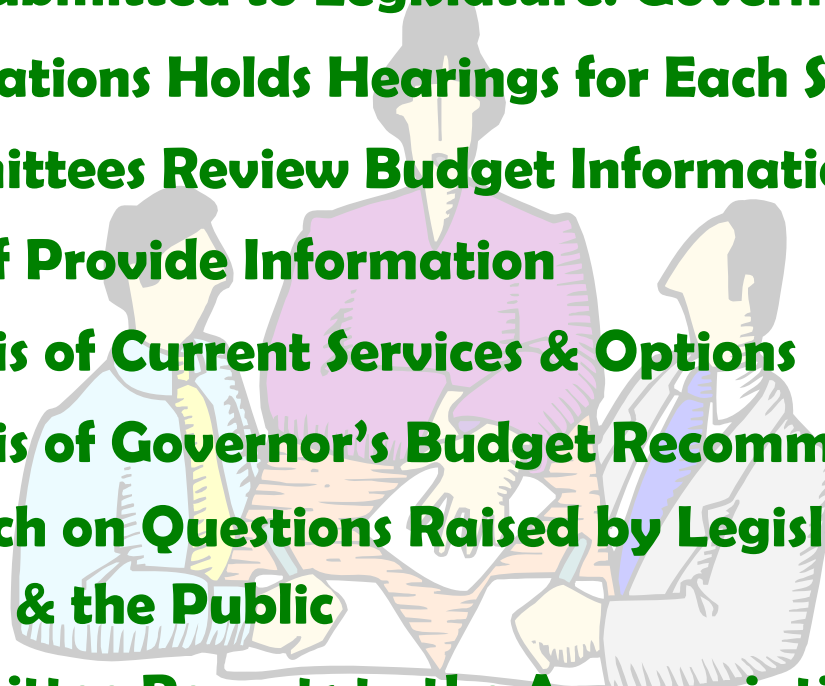
- Governor Proposes a Two Year Budget with Separate Appropriations for each Year
- Budget Reviewed on Many Levels by Legislature
- Agreement is Reached and Budget Becomes Law

● Second Year of the Biennium

- Governor Proposes Revisions to the Second Year of the Budget by Amending the Current Law
- Budget Revisions Reviewed on Many Levels by Legislature
- Agreement is Reached and Budget Becomes Law

Legislature's Budget Process

- **Budget Submitted to Legislature: Governor's Message**
- **Appropriations Holds Hearings for Each State Agency**
- **Subcommittees Review Budget Information**
- **OFA Staff Provide Information**
 - **Analysis of Current Services & Options**
 - **Analysis of Governor's Budget Recommendations**
 - **Research on Questions Raised by Legislators, Interest Groups & the Public**
- **Subcommittee Reports to the Appropriations Chairmen**



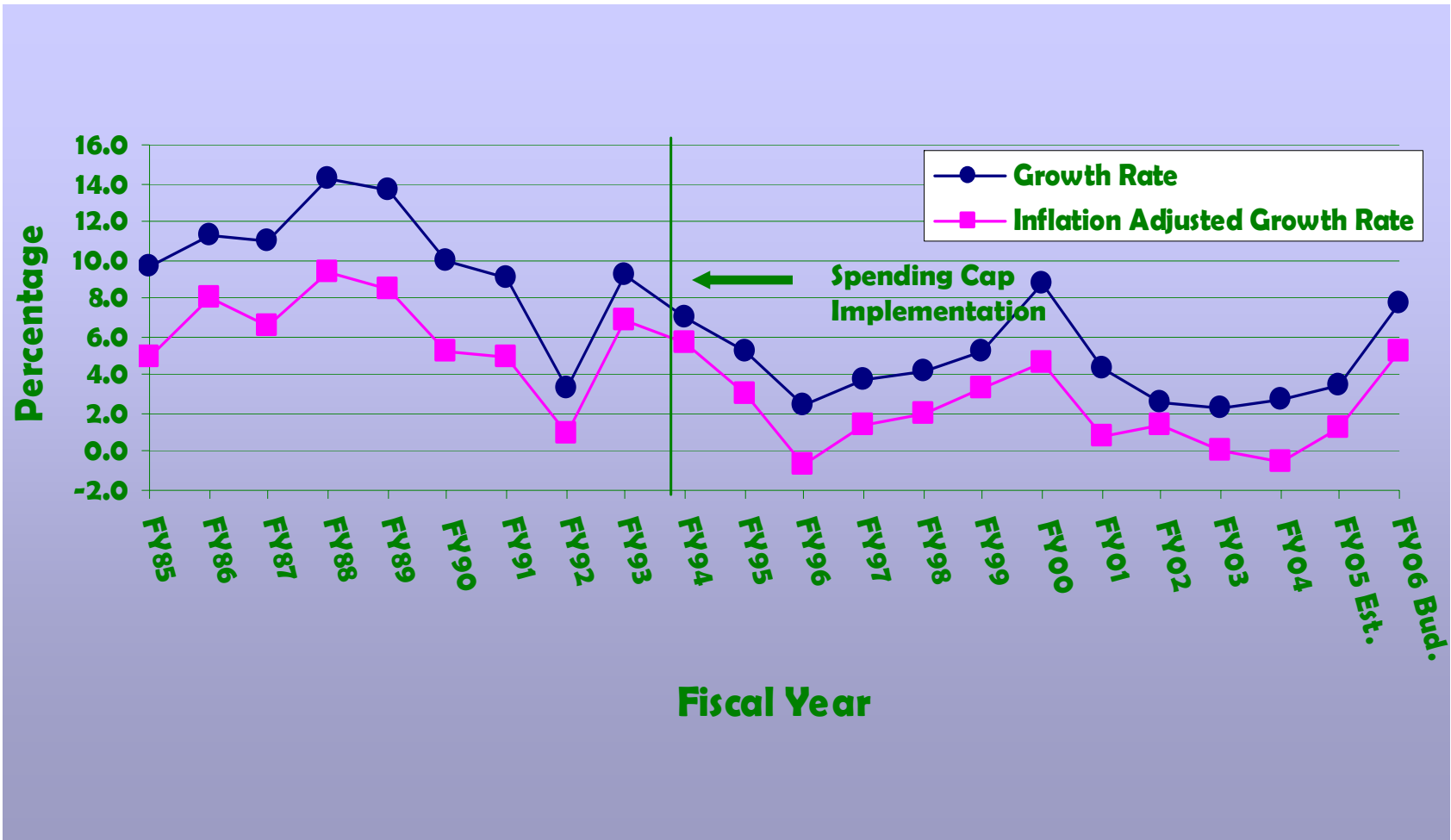
Legislature's Budget Process

- **Appropriations Chairmen Prepare Budget Recommendations**
- **Budget Report Submitted to Full Appropriations Committee & Voted Upon**
- **Finance Committee Produces Revenue Estimates & Capital Budget Bill**
- **Appropriation & Finance Bills Submitted to House & Senate**
- **Leadership and Executive Negotiations on Budget Prior to Passage**
- **Governor's Signature or Veto (Returned to Legislature)**

The Fiscal Note

- ✓ **A Brief Statement of the Fiscal Impact Legislation Would Have on State and Local Government**
- ✓ **Prepared as an Objective Non-Partisan Statement by the Analyst with Budgetary Responsibility for Agency Fiscally Affected**
- ✓ **Required of Every Bill, Amendment, or Conference Report that Reaches the House or Senate Floor**
- ✓ **Fiscal Notes on Bills are Printed with Each File, Notes on Amendments are Delivered to the Floor**
- ✓ **Fiscal Notes Need Not be Requested, They Are Prepared Upon Receiving A Bill or Amendment from LCO**
- ✓ **Informal Costs Estimates are Prepared Upon Request If Time Permits**
- ✓ **Reviewed every second and fourth year after the effective date of each enacted bill**

General Budget Expenditure Growth



Source: Office of Fiscal Analysis

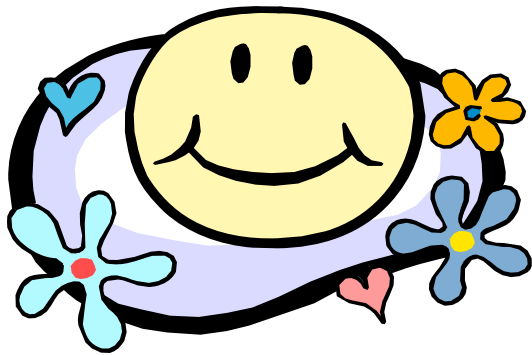
Where are we now?

This year's surplus is estimated to be \$661.5.

How will the FY07 Budget be revised ?

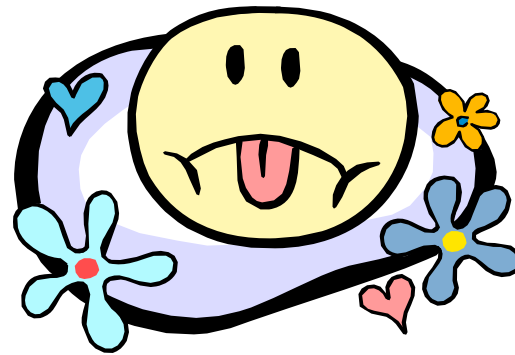
Major Theme of OFA Fiscal Forecasts

FY 06 & FY 07



Surpluses

FY 08, FY 09 & FY 10



**Structural Deficits &
Spending Cap Problems**

Budget Reserve Fund (BRF) Status

- **Unappropriated Surplus Is Deposited in the BRF per Article XXXVIII of the State Constitution and Sec. 4-30a (CGS)**
- **\$594.7 Million Balance in FY 01 Completely Used to Partially Cover the \$817.1 Million Deficit in FY 02**
- **Surpluses of \$302.2 million from FY 04 and \$303.4 million from FY 05 Totaling \$605.6 million may be Deposited after the Comptroller Closes Books on April 30, 2006**
- **How Much of Projected FY 06 & FY 07 Surpluses will remain Unappropriated and Be Deposited in BRF?**
- **PA 03-2 Increased the Maximum Allowable in the BRF to 10% of Net General Fund Appropriations (Capacity Could Reach \$1.48 Billion if FY 07 Budget Grows to \$14.8 Billion)**

OFA Current Services Projections

General Fund

(figures in \$ millions)

as of 2/1/06

Major Accounts	Original	Original	OFA CS Projections		
	Approp. FY 06	Approp. FY 07	FY 08	FY 09	FY 10
DSS - Medicaid	3,218.7	3,311.8	3,463.2	3,688.3	3,928.0
Personal Services	2,661.5	2,777.5	2,902.5	2,993.5	3,111.5
SDE - ECS	1,594.4	1,594.4	1,630.0	1,665.0	1,700.0
Debt Service	1,273.4	1,388.3	1,523.9	1,577.4	1,653.6
Other Expenses	458.4	459.4	468.6	478.0	487.5
State Employees Retirement Contributions	447.2	477.2	507.1	537.8	569.1
Retired State Employees Health Service Cost	410.0	425.4	442.0	459.2	477.1
State Employees Health Service Cost	404.5	483.6	502.5	522.1	542.4
DCF - Board and Care for Children (Residential, Foster & Adoption)	317.4	346.3	372.9	385.6	401.6
DMR - Community Residential Services	301.1	317.4	331.7	346.6	362.2
TRB - Retirement Contributions	226.1	236.6	432.7	454.3	477.1
Social Security (Social Security for FY 08 through FY 10 included in PS figures as of 2/1/06)	195.5	208.1	208.1	208.1	208.1
DSS - State Administered General Assistance (SAGA)	143.6	152.6	162.5	173.1	184.3
DMR - Employment Opportunities and Day Services	134.1	142.8	148.5	154.4	160.6
DSS - Temporary Assistance to Families (TANF)	132.3	131.8	127.5	130.1	132.7
DSS - DMHAS-Disproportionate Share	105.9	105.9	105.9	105.9	105.9
PILOT - Private Property	105.9	105.9	105.9	105.9	105.9
SDE - Priority School Districts	102.2	105.3	97.0	99.0	101.0
SDE - Magnet Schools	84.5	94.0	104.0	114.0	125.0
DOC - Inmate Medical Services	84.2	86.1	99.5	107.1	114.7
SDE - Excess Cost-Student Based	80.1	86.6	148.3	150.1	151.9
DMHAS - Grants for Mental Health Services	76.3	76.1	77.6	79.2	80.8
Workers' Comp. Claims (DPS, DMR, DMHAS, DOC, DCF, DAS)	73.4	79.6	85.8	91.0	96.9
DMHAS - General Assistance Managed Care	73.0	75.5	78.5	81.7	84.9
PILOT - State Property	70.0	70.0	70.0	70.0	70.0
DSS - Child Care Services-TANF/CCDBG	68.6	69.5	70.9	72.3	73.8
DSS - Disproportionate Share-Medical Emergency Assistance	58.7	53.7	53.7	53.7	53.7
DSS - Aid to the Disabled	55.7	56.4	56.8	58.0	59.1
OPM - PILOT-New Manufacturing Machinery and Equipment	50.7	50.7	50.7	50.7	50.7
DSS - ConnPACE	50.1	58.3	51.5	55.6	60.0
SDE - Transportation of School Children	46.8	48.0	49.0	50.1	51.1
DSS - Connecticut Home Care Program	43.8	50.2	53.5	56.9	60.6
Judicial - Alternative Incarceration Program	42.5	42.9	43.8	44.6	45.5
DSS - Old Age Assistance	31.8	32.7	32.2	32.9	33.5
DSS - DSH-Urban Hospitals in Distressed Municipalities	31.6	31.6	31.6	31.6	31.6

OFA Current Services Projections (continued)

General Fund

(figures in \$ millions)

Major Accounts	Original Approp. FY 06	Original Approp. FY 07		OFA CS Projections		
				FY 08	FY 09	FY 10
DMHAS - Managed Service System	27.6	27.7		28.3	28.8	29.4
DOL - Workforce Investment Act	27.3	27.3		27.3	27.3	27.3
DOC - Community Support Services	26.4	28.1		29.6	31.0	32.6
DSS - Housing/Homeless Services	25.9	26.7		27.2	27.8	28.3
DMHAS - Special Populations	25.5	25.6		26.1	26.6	27.2
DSS - HUSKY Program	24.3	27.3		29.1	31.0	33.0
DMR - Early Intervention	23.4	23.6		24.8	25.4	26.1
DMHAS - Grants for Substance Abuse Services	22.2	22.1		22.5	23.0	23.5
DCF - Community KidCare	22.2	22.9		23.4	23.8	24.3
Judicial - Juvenile Alternative Incarceration	21.2	21.6		23.9	24.3	24.8
SDE - Charter Schools	20.6	23.8		24.3	24.8	25.3
OPM - Property Tax Relief Elderly Circuit Breaker	20.5	20.5		20.5	20.5	20.5
Totals - Major Accounts	13,541.1	14,129.4	95.1%	14,996.9	15,598.0	16,274.8
All Other Gross GF Appropriations	696.0	730.5	4.9%	745.1	760.0	775.2
Gross GF Appropriations	14,237.1	14,859.9	100.0%	15,742.0	16,358.1	17,050.0
Legislative Unallocated Lapses	(2.2)	(2.2)		(2.2)	(2.2)	(2.2)
Estimated Unallocated Lapses	(77.2)	(86.5)		(55.6)	(55.6)	(55.6)
General Personal Services Reduction	(14.0)	(14.0)		(14.0)	(14.0)	(14.0)
General Other Expenses Reduction	(11.0)	(11.0)		(11.0)	(11.0)	(11.0)
Centralize Business Operations	(1.0)	(1.0)		(1.0)	(1.0)	(1.0)
Net GF Appropriations	14,131.7	14,745.2		15,658.2	16,274.3	16,966.2
Ongoing Items Funded through FY 05 Anticipated Surplus	-	-		165.5	98.7	81.1
Additional State Agency Energy Requirements	-	-		15.5	15.5	15.5
Ongoing Impact of Potential FY 05 Deficiency Requirements excluding Energy et	-	-		13.4	13.7	14.0
Generally Accepted Accounting Principles (GAAP) - reflects net exp./rev. impact	-	-		39.0	99.0	99.0
DCF - Emily J. Settlement/Agreement	-	-		3.6	3.6	3.7
Adjusted Net GF Appropriations	14,131.7	14,745.2		15,895.2	16,504.8	17,179.5
Revenue	14,133.7	14,748.5		15,670.8	16,197.1	16,767.0
Projected Surplus/(Deficit)	2.0	3.3		(224.4)	(307.7)	(412.5)